

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 NEA-10 IO-13 ISO-00 SSO-00

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TO SECSTATE WASHDC IMMEDIATE 7500

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AMEMBASSY NEW DELHI

UNCLAS GENEVA 3912

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJ: SUGAR NEGOTIATIONS: AUSTRALIAN PROPOSAL ON PRICE

INDEXATION IN INTERNATIONAL SUGAR AGREEMENT

1. THE AUSTRALIAN POSITION ON MANDATORY ADJUSTMENTS IN RESPONSE TO (A) CHANGES IN THE UNITED NATIONS INDEX OF EXPORT UNIT VALUE OF MANUFACTURED GOODS, AND (B) MAJOR CHANGES IN THE EXCHANGE RATE OF THE UNITED STATES DOLLAR AS REFLECTED IN THE UNITED STATES DOLLAR VALUE OF SPECIAL DRAWING RIGHTS WAS SUBMITTED TO THE SUGAR CONFERENCE IN TD/SUGAR, 9/EX/C.I/ CRP.7/ADD.4; PARAGRAPHS 4, 5, AND 6, WHICH READ AS FOLLOWS:

QUOTE 4. IN ITS DELIBERATIONS UNDER PARAGRAPHS 2 AND 3 ABOVE, THE COUNCIL SHALL GIVE SPECIAL CONSIDERATION TO MOVEMENTS IN THE UNITED NATIONS INDEX OF EXPORT UNIT VALUE OF MANUFACTURED GOODS. WHERE THE INDEX HAS INCREASED/DECREASED BY MORE THAN (TEN) PERCENTAGE POINTS OVER THE LAST 12 MONTHS FOR WHICH FIGURES ARE AVAILABLE AT THE TIME OF THE PRICE REVIEW AND/OR FROM THE VALUE OF THAT INDEX WHEN PRICES
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UNDER THIS AGREEMENT WERE LAST ADJUSTED, FOLLOWING AN ANNUAL PRICE REVIEW, AN APPROPRIATE ADJUSTMENT OF PRICE LEVELS IN THE AGREEMENT SHALL BE MANDATORY.

5. WHENEVER A MAJOR CHANGE IN THE EXCHANGE RATE OF THE UNITED STATES DOLLAR OCCURS, WHETHER OF AN ABRUPT OR GRADUAL NATURE, THE EXECUTIVE COMMITTEE SHALL MEET TO CONSIDER

THE SITUATION. IN THE LIGHT OF THIS EXAMINATION THE EXECUTIVE COMMITTEE MAY, WITHOUT REFERENCE TO THE COUNCIL OR RECOURSE TO THE PROVISIONS OF ARTICLE 78, TAKE SUCH ACTION AS IT DEEMS NECESSARY TO MAINTAIN THE OBJECTIVES OF THE AGREEMENT INCLUDING, AS APPROPRIATE, ADJUSTMENT OF ANY OF THE PRICES REFERRED TO IN THE AGREEMENT.

6. WHEN CONSIDERING WHAT CONSTITUTES A MAJOR CHANGE FOR THE PURPOSES OF PARAGRAPH 4 ABOVE AND/OR THE EXTENT OF ANY ADJUSTMENT IN PRICES, SPECIAL CONSIDERATION SHALL BE GIVEN TO THE UNITED STATES DOLLAR VALUE OF SPECIAL DRAWING RIGHTS. WHENEVER THIS VALUE VARIES FROM A BASE VALUE BY A PERCENTAGE WHICH, WHEN IT IS APPLIED TO THE MINIMUM PRICE IN THE AGREEMENT PRICE RANGE, WOULD GIVE RISE TO AN INCREASE/DECREASE OF AT LEAST ONE CENT PER POUND, THE EXECUTIVE COMMITTEE SHALL ADJUST PRICES TO THE FULL EXTENT OF THAT PERCENTAGE VARIATION. THE INITIAL BASE VALUE SHALL BE THE VALUE ON THE FIRST MARKET DAY AFTER THE AGREEMENT COMES INTO EFFECT AND SHALL BE ADJUSTED WHENEVER A PRICE ADJUSTMENT UNDER THIS PARAGRAPH IS AFFECTED. END QUOTE.

2. THE CONTENT OF THESE PARAGRAPHS, I.E. MANDATORY ADJUSTMENTS WERE SUPPORTED FOR TWO SESSIONS BY AUSTRALIA (MICHAEL JOHN BLUMEY, DEPARTMENT OF OVERSEAS TRADE). INDIA AND CUBA WERE THE PRIMARY SUPPORTERS OF THE INCLUSION OF MANDATORY ADJUSTMENTS BASED UPON CHANGES IN THE INDICES.

3. AFTER DEBATE ON MAY 12 AUSTRALIA SUBMITTED A REVISED TEXT; TD/SUGAR.9/EX/C.I/CRP.7/ADD.4/REV.1. IT READS AS UNCLASSIFIED

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FOLLOWS: BEGIN TEXT:

1. (FOR NEGOTIATION).

2. THE COUNCIL SHALL REVIEW THE PRICE LEVELS REFERRED TO IN THIS AGREEMENT AT THE END OF EACH QUOTA YEAR AND, WITHOUT RECOURSE TO THE PROVISIONS OF ARTICLE 78, SHALL ADJUST SUCH PRICES, AS APPROPRIATE.

3. IN ITS REVIEW OF PRICES FOR THE PURPOSES OF THIS ARTICLE, THE COUNCIL SHALL TAKE INTO CONSIDERATION:

(A) THE LEVELS AND TRENDS OF CONSUMPTION AND PRODUCTION OF SUGAR AND ALTERNATIVE SWEETENERS AS WELL AS STOCKS OF SUGAR IN IMPORTING AND EXPORTING COUNTRIES?

(B) CHANGES IN THE WORLD MONETARY SYSTEM;

(C) THE TREND OF WORLD INFLATION OR DEFLATION; AND

(D) ANY OTHER FACTORS WHICH MIGHT AFFECT THE ACHIEVEMENT OF THE OBJECTIVES SET OUT IN THIS AGREEMENT.

4. IN ITS DELIBERATIONS UNDER PARAGRAPHS 2 AND 3 ABOVE, THE COUNCIL SHALL GIVE SPECIAL CONSIDERATION TO MOVEMENTS IN THE UNITED NATIONS INDEX OF EXPORT UNIT VALUE OF MANUFACTURED GOODS. ADJUSTMENT OF PRICES IN THIS AGREEMENT SHALL BE MANDATORY, THE EXTENT TO BE DETERMINED BY THE COUNCIL, WHENEVER THIS INDEX HAS INCREASED/DECREASED BY MORE THAN TEN PERCENTAGE POINTS.

(A) OVER THE LAST 12 MONTHS FOR WHICH FIGURES ARE AVAILABLE AT THE TIME OF THE PRICE REVIEW; OR

(B) FROM THE VALUE OF THAT INDEX WHEN PRICES UNDER THIS AGREEMENT WERE LAST ADJUSTED DURING THE COURSE OF AN ANNUAL UNCLASSIFIED

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PRICE REVIEW.

5. WHENEVER A MAJOR CHANGE IN THE EXCHANGE RATE OF THE UNITED STATES DOLLAR (WHEN EXPRESSED IN TERMS OF SPECIAL DRAWING RIGHTS) OCCURS, WHETHER OF AN ABRUPT OR GRADUAL NATURE, THE COUNCIL (FOOTNOTE: IT IS INTENDED THAT THIS POWER WOULD BE DELEGATED TO THE EXECUTIVE COMMITTEE AND THAT THERE WOULD BE A CONSEQUENTIAL CHANGE IN ARTICLE 18 END FOOTNOTE) SHALL MEET TO CONSIDER THE SITUATION. IN THE LIGHT OF THIS EXAMINATION THE COUNCIL MAY, WITHOUT RECOURSE TO THE PROVISIONS OF ARTICLE 78 AND SUBJECT TO PARAGRAPH 6 OF THIS ARTICLE, TAKE SUCH ACTION AS IT DEEMS NECESSARY TO MAINTAIN THE OBJECTIVES OF THE AGREEMENT, INCLUDING, AS APPROPRIATE, ADJUSTMENTS OF ANY OF THE PRICES REFERRED TO IN THE AGREEMENT.

6. WHENEVER THE UNITED STATES DOLLAR VALUE OF SPECIAL DRAWING RIGHTS VARIES FROM A BASE VALUE BY A PERCENTAGE WHICH, WHEN IT IS APPLIED TO THE MINIMUM PRICE IN THE AGREEMENT PRICE RANGE, WOULD GIVE RISE TO AN INCREASE/ DECREASE OF AT LEAST ONE CENT PER POUND, THE COUNCIL (FOOTNOTE: IT IS INTENDED THAT THIS POWER WOULD BE DELEGATED TO THE EXECUTIVE COMMITTEE AND THAT THERE WOULD BE A CONSEQUENTIAL CHANGE IN ARTICLE 18. END FOOTNOTE) SHALL ADJUST PRICES TO THE FULL EXTENT OF THAT PERCENTAGE VARIATION. THE INITIAL BASE VALUE SHALL BE THE VALUE ON THE FIRST MARKET DAY AFTER THE AGREEMENT COMES INTO EFFECT AND SHALL BE ADJUSTED WHENEVER A PRICE ADJUSTMENT UNDER THIS PARAGRAPH IS AFFECTED. END TEXT.

4. THE US OBJECTED, AS DID OTHER DELEGATES. THE ISSUE REMAINS OPEN, BUT IN INFORMAL DISCUSSIONS THE AUSTRALIANS

EXPRESSED SOME APPREHENSION OVER THEIR SUBMISSIONS ON
THIS ISSUE.SORENSEN

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